

BGI North America

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June 22, 2007

Kathy Means
Lease Sales and Lease Administration
Department of Natural Resources
Division of Oil and Gas
550 W. 7th Avenue, Suite 800
Anchorage, Alaska 99501-3560
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Re: Exploration License Application
Crooked Creek Basin, East-Central Alaska

Hello Kathy,

This letter is in response to a letter received from your department dated May 30, 2007 requesting additional information for our Exploration License Application for oil and gas exploration in the Crooked Creek Basin.

Your letter requests additional information about "the nature and purpose of the proposed exploration project, the specific work you plan to do and the exploration target dates." In general, we are exploring for oil and/or natural gas in this area based on USGS data indicating that a sedimentary basin approximately 7000 feet deep with high probability of structural traps exists in the Crooked Creek area. The best-case scenario would lead viable oil production, with Glenn Shale as the source rock. An alternative scenario involves gas production, which may include traditional gas plays and/or coal bed methane plays.

The exploration work we will commit to in the license application will consist of 2-D seismic lines -- one long east-west line and two to three shorter north-south lines, to be completed within 2 years of the license award. We are assuming that there is no restriction on exploration above and beyond our committed dollar amount, so in the case that the initial seismic surveys show promising results we may drill a test well, or perform additional geophysical surveys as deemed appropriate.

If there is additional information necessary, please let me know and I will be gladly provide it to you.

Regards,

Jesse Crews
Staff Geoscientist